

MINUTES

MONTANA SENATE 56th LEGISLATURE - REGULAR SESSION

COMMITTEE ON TAXATION

Call to Order: By **CHAIRMAN GERRY DEVLIN**, on January 8, 1999 at 8:00 A.M., in Room 413/415 Capitol.

ROLL CALL

Members Present:

Sen. Gerry Devlin, Chairman (R)
Sen. Bob DePratu, Vice Chairman (R)
Sen. John C Bohlinger (R)
Sen. Dorothy Eck (D)
Sen. E. P. "Pete" Ekegren (R)
Sen. Jon Ellingson (D)
Sen. Alvin Ellis Jr. (R)
Sen. Bill Glaser (R)
Sen. Barry "Spook" Stang (D)

Members Excused: None

Members Absent: None

Staff Present: Sandy Barnes, Committee Secretary
Lee Heiman, Legislative Branch

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing(s) & Date(s) Posted: SB 14, 1/5/1999; SB 15,
1/5/1999
Executive Action: SB 14, 1/9/1999, **DO PASS**;
SB 15, 1/9/1999, **DO PASS**

HEARING ON SB 14

Sponsor: SENATOR ALVIN A. ELLIS JR., SD 12, RED LODGE

Proponents: Don Hoffman, Department of Revenue

Opponents: None

Opening Statement by Sponsor:

SEN. ALVIN A. ELLIS JR., SD 12, RED LODGE, presented SB 14 which is an act that designates the Department of Revenue of the State of Montana as the authority to perform federal royalty audits, collection services and any other delegable functions related to mining operations on federal lands within the state. This bill is a formality to meet federal requirements to continue performing a function which is already covered by the Department of Revenue.

Proponents' Testimony:

Don Hoffman, Department of Revenue, explained that the Department of Revenue has had a contract with the U.S. Department of Interior to do audits on federal lands in Montana where mineral extraction occurs since 1985. There is a provision in the Royalty Fairness and Simplification Act of 1997 which requires that there be an agency designated to delegate this authority, and that's what this bill does.

Jim Mockler, Executive Director of the Montana Coal Council, testified in favor of this legislation and indicated that, having dealt with the Mineral Management Service in the past, as well as the State, the State is capable of doing this service well.

Opponents' Testimony: None

Questions from Committee Members and Responses:

SEN. DEVLIN asked **Mr. Hoffman** to clarify that this is something they are presently doing and this legislation just enables the Department to continue to do it under the federal law that suddenly demanded that there be something in place. **Mr. Hoffman** said that that is correct.

Closing by Sponsor: None

HEARING ON SB 15

Sponsor: SENATOR MACK COLE, SD 4, HYSHAM

Proponents: Brian Smith, Department of Revenue

Opponents: None

Opening Statement by Sponsor:

SENATOR MACK COLE, SD 4, Hysham, introduced this bill as an act clarifying some legislation that was passed in 1995 governing the computation of the business equipment tax reduction reimbursement to local government taxing jurisdictions. It is necessary to clarify that the reference year for phasing out the reimbursement is tax year 1998, as intended by the 1995 legislature. The law contains a table for the phase-out of the reimbursements; however, the table is somewhat confusing as written. The title of the table implies the reimbursement for tax year 1999 would be 90% of the reimbursement amount for tax year 1999. The table becomes clear when the title is rewritten to replace 1999 with 1998. Then it follows that the reimbursement amount for the tax year 1999 would be 90%.

Proponents' Testimony:

Brian Smith, Department of Revenue, testified in support of the legislation, explaining that this legislation is simply cleaning up an error in the code which was not discovered until this last year. This does not change any current practices on the reimbursements to be distributed and there is also no revenue impact from the bill.

Questions from Committee Members and Responses:

SEN. ELLIS asked **Mr. Smith** what the purpose of changing the statute at this time was, since 1998 is over with, and **Mr. Smith** explained that the reimbursement continues on for several more years and each year's reimbursement amount is calculated off of the table in the code. The table still says 1999, and it would be an illogical starting point to calculate all the reimbursements if it weren't changed back to 1998.

SEN. ELLIS then asked how it was handled in 1998, and **Mr. Smith** explained that the intent was for the table to be for tax year 1998, and that's how the reimbursements have always been calculated. The 1998 reimbursement was the base and then decreased each consecutive year's reimbursement by 10% of the base.

SEN. ECK asked whether there was anything available showing the breakdown of what's happened to the counties by county, and **Mr. Smith** explained that reimbursement spreadsheets for each county are available and could be provided the committee. **CHAIRMAN DEVLIN** requested that that be provided.

Closing by Sponsor:

SEN. COLE had no closing statement.

Following the hearings on SB 14 and SB 15, **Mary Bryson, director, Department of Revenue**, made a presentation on the changes that have been made in the last two years in the Department and introduced some of the individuals who will be working with the committee. Two documents have been distributed to committee members, the Guide to Taxes Administered by the Montana Department of Revenue and the Biennial Report of the Montana Department of Revenue.

The Department of Revenue has restructured in the last two years through what they call "Project Metamorphosis." Duplication of services and functions have been eliminated by structuring the Department by service or function rather than by tax type. This should make these processes more efficient for both the department and the public.

EXECUTIVE ACTION ON SB 14

Motion/Vote: **Sen. Bohlinger** moved that **SB 14 DO PASS. MOTION CARRIED 9-0.**

EXECUTIVE ACTION ON SB 15

Motion/Vote: **Sen. Bohlinger** moved that **SB 15 DO PASS. MOTION CARRIED 9-0.**

ADJOURNMENT

Adjournment: 8:30 A.M.

SEN. GERRY DEVLIN, Chairman

SANDY BARNES, Secretary

GD/SB

EXHIBIT (tas05aad)